



## Risk Management Department

No. RMD/FX/USD-INR/16/56

05<sup>th</sup> Oct'16

**FOR INFORMATION OF ALL MEMBERS**

### Forex Segment

#### Risk Management Processes

Further to para C of our Notification No. RMD/FX/USD-INR/15/18 dated 03<sup>rd</sup> Mar'15 issued in terms of Clause (C) of Chapter V of the Regulations of the Forex Segment, the under-mentioned process will be adopted with effect from 7<sup>th</sup> Nov'16 for arriving at the Initial Margin factor for this segment.

The process for Initial Margin computation will remain unchanged except as under:

- i. Initial Margin Factor which is set based on a 3 day VaR of the USD/INR spot rate, at 99% confidence interval with a look-back period of 1000 days will henceforth also be subject to a floor.
- ii. The floor will be set based on the 3 day VaR of the USD/INR spot rate at 99% confidence interval with a look-back period of 2,500 days immediately preceding the date of such review.
- iii. The floor will be reviewed at the end of every financial year. Apart from the annual review, the floor will also be reviewed in periods of high volatility. Any change in the floor will be implemented after giving a notice of 7 business days.
- iv. This notification shall be effective from **07<sup>th</sup> Nov'16 onwards and the floor of 2.75% per settlement date** shall apply till further notice.

Yours faithfully,

**For The Clearing Corporation of India Ltd.**

Sd/-

**Managing Director**